

Township of Grosse Pointe Wayne County, Michigan

**Financial Report
with Supplemental Information
March 31, 2008**

Township of Grosse Pointe

Contents

Report Letter	I
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements	
Governmental Fund:	
Balance Sheet and Reconciliation of Fund Balance to the Statement of Net Assets	8
Statement of Revenue, Expenditures, and Changes in Fund Balance	9
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	10
Fiduciary Fund - Statement of Net Assets	11
Notes to Financial Statements	12-18
Required Supplemental Information	19
Budgetary Comparison Schedule - General Fund	20



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Township of Grosse Pointe
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the General Fund (major fund), and the aggregate remaining fund information of the Township of Grosse Pointe as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Grosse Pointe's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of the Township of Grosse Pointe as of March 31, 2008 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

July 7, 2008

Township of Grosse Pointe

Management's Discussion and Analysis

Our discussion and analysis of the Township of Grosse Pointe's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- Property tax revenue, our largest revenue source, increased by approximately \$5,000 this year.
- Total net assets related to the Township's governmental activities increased by approximately \$23,000. The unrestricted portion of net assets increased by approximately \$24,000.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Grosse Pointe

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets of the governmental activities as of March 31:

	Governmental Activities	
	2008	2007
Assets		
Current assets	\$ 220,257	\$ 98,384
Noncurrent assets	<u>3,764</u>	<u>4,600</u>
Total assets	224,021	102,984
Liabilities - Current liabilities	<u>135,746</u>	<u>38,143</u>
Net Assets		
Invested in capital assets - Net of related debt	3,764	4,600
Unrestricted	<u>84,511</u>	<u>60,241</u>
Total net assets	<u>\$ 88,275</u>	<u>\$ 64,841</u>

The Township's combined net assets increased 36 percent from a year ago, increasing from \$64,841 to \$88,275.

Unrestricted net assets, the portion of net assets that can be used to finance day-to-day operations, increased by approximately \$24,000 for the governmental activities. This represents an decrease of approximately 40 percent. The current level of unrestricted net assets for governmental activities stands at \$84,511, or about 27 percent of expenditures. This is within the targeted range set by the Township during its last budget process.

Township of Grosse Pointe

Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the years ended March 31, 2007 and 2008:

	2008	2007
Revenue		
Program revenue - Charges for services	\$ 106,203	\$ 99,132
General revenue:		
Property taxes	201,179	196,611
Interest	24,196	22,420
Miscellaneous revenue	659	655
Total revenue	332,237	318,818
Program Expenses - General government	308,803	328,783
Change in Net Assets	\$ 23,434	\$ (9,965)

Governmental Activities

The Township's total governmental revenues increased by \$13,419. This represents an increase of approximately 4 percent. The increase was primarily due to increases in property taxes and program revenue.

Governmental activity expenditures decreased by \$19,980. This represents a decrease of approximately 6 percent. The decrease in expenditures is due to non-recurring special projects and repairs and maintenance that occurred in the prior year.

The Township's Funds

Our analysis of the Township's major fund begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the General Fund, which is the only major fund of the Township for 2008. The General Fund pays for all the Township's governmental services.

General Fund Budgetary Highlights

Over the course of the year, the Township monitors and amends the budget to take into account unanticipated events during the year. There were no significant budget amendments during the year.

Capital Asset and Debt Administration

At the end of 2008, the Township had \$3,764 invested in capital assets and no debt outstanding.

Township of Grosse Pointe

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year calls for a minimal increase in property tax rates, based on the rate of inflation. Because of the impact of Proposal A, however, the Township needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

Township of Grosse Pointe

Statement of Net Assets March 31, 2008

	Governmental Activities
Assets	
Cash and investments (Note 2)	\$ 210,743
Taxes receivable	9,514
Depreciable assets - Net (Note 3)	<u>3,764</u>
Total assets	224,021
Liabilities	
Due to other governmental units	125,631
Deferred revenue	9,514
Accounts payable	<u>601</u>
Total liabilities	<u>135,746</u>
Net Assets	
Invested in capital assets - Net of related debt	3,764
Unrestricted	<u>84,511</u>
Total net assets	<u><u>\$ 88,275</u></u>

Township of Grosse Pointe

Statement of Activities Year Ended March 31, 2008

			Net (Expense) Revenue and Changes in Net Assets
	Program Revenues	Charges for Services	Governmental Activities
Expenses			
Functions/Programs			
Governmental activities:			
Township board	\$ 6,600	\$ -	\$ (6,600)
Supervisor	7,200	-	(7,200)
Elections	3,761	-	(3,761)
Financial	15,472	106,203	90,731
Assessor	7,765	-	(7,765)
Clerk	93,639	-	(93,639)
General office	40,000	-	(40,000)
Commissions and boards	5,850	-	(5,850)
Treasurer	15,200	-	(15,200)
Legal	105	-	(105)
Hall and grounds	113,211	-	(113,211)
Total governmental activities	<u>\$ 308,803</u>	<u>\$ 106,203</u>	(202,600)
General revenues:			
Property taxes			201,179
Interest			24,196
Miscellaneous			659
Total general revenues			<u>226,034</u>
Change in Net Assets			23,434
Net Assets - Beginning of year			<u>64,841</u>
Net Assets - End of year			<u>\$ 88,275</u>

Township of Grosse Pointe

Governmental Fund Balance Sheet and Reconciliation of Fund Balance to the Statement of Net Assets March 31, 2008

	<u>General Fund</u>
Assets	
Cash and investments (Note 2)	\$ 210,743
Taxes receivable	<u>9,514</u>
Total assets	<u>\$ 220,257</u>
Liabilities and Fund Balance	
Liabilities	
Due to other governmental units	\$ 125,631
Deferred revenue	9,514
Accounts payable	<u>601</u>
Total liabilities	135,746
Fund Balance - Unreserved	<u>84,511</u>
Total liabilities and fund balance	<u>\$ 220,257</u>
Total Fund Balance for Governmental Fund	\$ 84,511
Amounts reported for governmental activities in the statement of net assets are different because capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>3,764</u>
Net Assets of Governmental Activities	<u>\$ 88,275</u>

Township of Grosse Pointe

Governmental Fund **Statement of Revenue, Expenditures, and Changes in Fund Balance** **Year Ended March 31, 2008**

	<u>General Fund</u>
Revenue	
Property taxes	\$ 307,144
Interest income	24,434
Miscellaneous	<u>659</u>
Total revenue	332,237
Expenditures - General government	
Township board	6,600
Supervisor	7,200
Elections	2,925
Financial	15,472
Assessor	7,765
Clerk	93,639
General office	40,000
Commissions and boards	5,850
Treasurer	15,200
Legal	105
Hall and grounds	<u>113,211</u>
Total expenditures	<u>307,967</u>
Net Change in Fund Balance	24,270
Fund Balance - Beginning of year	<u>60,241</u>
Fund Balance - End of year	<u><u>\$ 84,511</u></u>

Township of Grosse Pointe

Governmental Fund Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended March 31, 2008

Net Change in Fund Balance - Total Governmental Fund	\$ 24,270
---	------------------

Amounts reported for governmental activities in the statement of activities are different because depreciation is recorded as an expense in the statement of activities but not in the governmental fund

(836)

Change in Net Assets of Governmental Activities	<u>\$ 23,434</u>
--	-------------------------

Township of Grosse Pointe

Fiduciary Fund Statement of Net Assets March 31, 2008

	<u>Agency Fund</u>
Assets - Taxes receivable	<u><u>\$ 294</u></u>
Liabilities - Due to other governmental units	<u><u>\$ 294</u></u>

Township of Grosse Pointe

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Grosse Pointe (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Grosse Pointe:

Reporting Entity

The Township of Grosse Pointe is governed by an elected five-member board. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township (the primary government). Governmental activities are financed primarily by general property tax revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for the governmental fund and the fiduciary fund, even though the latter are excluded from the government-wide financial statements.

The Township reports the following major governmental fund:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and other local sources.

Additionally, the Township reports the following fund type:

Agency Fund - The Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals or other organizations. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Township of Grosse Pointe

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Taxes Receivable - All property tax receivables are shown net of an allowance for uncollectible amounts.

Township of Grosse Pointe

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repairs and maintenance that do not add to the value or materially extend asset life are not capitalized. The Township does not have infrastructure-type assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Equipment	15 years
-----------	----------

Property Taxes - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2007 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled \$334 million on which taxes levied consisted of .5943 mills for operating purposes. This resulted in approximately \$198,000 for operating purposes. Amounts for this levy are recognized in the General Fund financial statements as tax revenue.

Construction Code Fees - The Township does not collect construction code fees pursuant to the State's Construction Code Act. Accordingly, no separate reporting of this activity has been reflected in the financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Township of Grosse Pointe

Notes to Financial Statements March 31, 2008

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of local unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in all investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) as listed above. The Township's deposits and investments are in accordance with statutory authority.

The Township's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At March 31, 2008, all of the Township's bank deposits (checking account and certificate of deposit), totaling approximately \$22,500, were insured and collateralized.

Credit Risk - The Township's investment policy limits investments in commercial paper to the top ratings issued by nationally recognized statistical rating organizations. This policy is within the limits of state law. As of March 31, 2008, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 187,987	AAA	Standard and Poor's

Township of Grosse Pointe

Notes to Financial Statements March 31, 2008

Note 3 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Capital assets being depreciated -				
Equipment	\$ 12,544	\$ -	\$ -	\$ 12,544
Accumulated depreciation - Equipment	(7,944)	(836)	-	(8,780)
Net capital assets	<u>\$ 4,600</u>	<u>\$ (836)</u>	<u>\$ -</u>	<u>\$ 3,764</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities - Elections	\$ (836)
-------------------------------------	----------

Note 4 - Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of the Act:

1. A budget must be adopted for the General Fund.
2. The budget must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budget must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

The Township adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

Township of Grosse Pointe

Notes to Financial Statements March 31, 2008

Note 4 - Budgetary Information (Continued)

The Township follows these procedures in establishing the budget reflected in the financial statements:

1. On or before February 1, the Township supervisor prepares and submits to the Township board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the board shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof.
3. The board shall, on or before March 1, adopt the budget for the next fiscal year.

The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Budgeted amounts of the revenues and expenditures presented for the General Fund are as amended by the Township board. Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2008 has not been calculated. During the year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund is presented in the required supplementary information. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Excess of Expenditures Over Appropriations - During the year, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	Amended Budget	Actual
Clerk	\$ 80,800	\$ 93,639

This unfavorable variance was caused by unanticipated expenditures that became necessary during the year.

Township of Grosse Pointe

Notes to Financial Statements March 31, 2008

Note 5 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township participates in the Michigan Municipal Risk Management Authority state pool program for claims relating to property loss, torts, errors and omissions, and personal injuries, and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (the "Authority") state pool program also operates as a common risk-sharing management program. A portion of the excess insurance is underwritten by the Authority itself.

Note 6 - Shared Expenses and Elected Officials

The Township made the following payments to the Village of Grosse Pointe Shores for shared expenses for the year ended March 31, 2008:

Rent	\$	20,000
Insurance		20,000
Administrative services		115,000

Note 7 - Subsequent Event

On May 6, 2008, Township residents approved a general election ballot measure to elect a charter commission that will work to incorporate the Township as a city under Michigan law. In February 2009, the Township residents, along with the residents of the Village of Grosse Pointe Shores and Lake Township, will be asked to approve the charter in order to incorporate as a city as of April 1, 2009. The City's fiscal year end will be June 30.

Required Supplemental Information

Township of Grosse Pointe

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 300,350	\$ 301,690	\$ 307,144	\$ 5,454
Interest income	16,000	19,000	24,434	5,434
Miscellaneous	500	640	659	19
Total revenue	316,850	321,330	332,237	10,907
Expenditures - General government				
Township board	6,600	6,600	6,600	-
Supervisor	7,200	7,200	7,200	-
Elections	4,250	2,915	2,925	(10)
Financial	15,000	15,425	15,472	(47)
Assessor	15,000	14,765	7,765	7,000
Clerk	87,700	80,800	93,639	(12,839)
General office	40,000	40,000	40,000	-
Commissions and boards	6,200	6,200	5,850	350
Treasurer	14,200	15,000	15,200	(200)
Legal	-	-	105	(105)
Hall and grounds	120,700	118,000	113,211	4,789
Total expenditures	316,850	306,905	307,967	(1,062)
Excess of Revenue Over Expenditures	-	14,425	24,270	9,845
Fund Balance - Beginning of year	60,241	60,241	60,241	-
Fund Balance - End of year	<u>\$ 60,241</u>	<u>\$ 74,666</u>	<u>\$ 84,511</u>	<u>\$ 9,845</u>

Township of Grosse Pointe

**Report to the Township Board
March 31, 2008**



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

To the Township Board
Township of Grosse Pointe

We have recently completed our audit of the basic financial statements of the Township of Grosse Pointe (the "Township") for the year ended March 31, 2008. In addition to our audit report, we are providing the following:

- Letter of increased audit communications as prescribed by Statement on Auditing Standards (SAS) 112
- Letter of required audit communication, as prescribed by SAS 114
- Other recommendations and informational comments which impact the Township

	Page
Report on Internal Control (SAS 112 Letter)	2-4
Results of the Audit (SAS 114 Letter)	5-7

We are grateful for the opportunity to be of service to the Township of Grosse Pointe. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

July 7, 2008

Report on Internal Control

July 7, 2008

To the Township Board
Township of Grosse Pointe

Dear Council Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow the governing body to evaluate the significance, and make any changes deemed appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Township of Grosse Pointe as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following to be significant deficiencies in internal control over financial reporting:

Lack of Segregation of Duties - Segregation of duties is an essential component of a sound system of internal controls. When job responsibilities are properly segregated, a system of "checks and balances" is created, thereby reducing the risk of intentional or unintentional errors and/or omissions in the accounting records. We noted the following areas that lack segregation of duties:

- **Journal Entries** - The finance officer is responsible for preparing and posting journal entries into the general ledger software system. The assistant to the supervisor performs a supervisory review of all manual journal entries, as evidenced by a signature on the manual journal entry sheet. However, we noted no supervisory comparison between the approved manual journal entry sheets and manual postings to the general ledger. We recommend that the supervisory review be enhanced to also include a review of the approved posting to the posting in the general ledger system. One way to do this would be to have the finance officer enter manual journal entries into the system and leave them in a "pending" status, awaiting supervisory review.
- **Wire Transfers** - The Township makes use of electronic wire transfers to effect various transactions related to tax collections and movement of cash between bank accounts. Currently, these transfers are initiated by the finance officer. The finance officer provides a verbal explanation of the nature of the wire transfer to the assistant to the supervisor, who then signs an authorization form approving the wire transfer. The authorization form does not include written documentation of the nature of the wire transfer. We recommend implementing controls over wire transfers that include written documentation of the nature of each wire transfer, including supporting documentation whenever possible.

Audit Journal Entries - As a result of the auditing procedures performed, we detected and proposed the following significant audit adjustments. In all instances, the Township posted the proposed journal entries to more accurately reflect the financial condition of the Township at March 31, 2008.

- **GASB 34** - No journal entries were posted by the Township to prepare the government-wide (GASB 34) financial statements. The Township requested assistance with proposing these entries. All GASB 34 transactions were corrected through audit adjustments.

To the Township Board
Township of Grosse Pointe

July 7, 2008

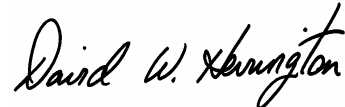
We also noted other matters we would like to communicate to you. In an effort to assist with the Township's continuous improvement efforts, we offer the following observations and recommendations:

Incorporation as a City - As the Township takes steps to incorporate as a city, it will be important to consider the cash flow impact of moving from a March 31 year end to a June 30 year end. Most important is the timing of property tax collections, which will likely cause the Township to have a low to potential deficit fund balance at June 30. To avoid a low or deficit fund balance at June 30, the Township should evaluate operating activities at least quarterly.

This communication is intended solely for the information and use of management, the council, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "David W. Herrington". The signature is written in a cursive style with a large, stylized 'D'.

David W. Herrington

A handwritten signature in black ink that reads "Jenny L. Cederstrom". The signature is written in a cursive style with a large, stylized 'J'.

Jenny L. Cederstrom

Results of the Audit

July 7, 2008

To the Township Board
Township of Grosse Pointe

We have audited the financial statements of the Township of Grosse Pointe for the year ended March 31, 2008 and have issued our report thereon dated July 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 19, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Township. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on May 19, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Grosse Pointe are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008.

We noted no transactions entered into by the Township during the year for which there was a lack of authoritative guidance or consensus.

There were no significant transactions that were recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The financial statements do not include any estimates that we have deemed to be particularly sensitive.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All material audit adjustments posted by management were communicated to you in our report on internal controls (SAS 112 Letter), dated July 7, 2008.

There were no uncorrected misstatements of the financial statements.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated July 7, 2008.

July 7, 2008

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

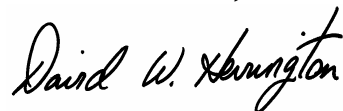
Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the Township's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We read the management's discussion and analysis and other supplemental information, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

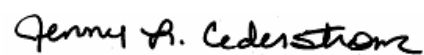
This information is intended solely for the use of the Township board and management of the Township of Grosse Pointe and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



David W. Herrington



Jenny L. Cederstrom